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**ANNUAL AUDITED REPORT
 FORM X-17A-5 (A)
 PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
 Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/06 AND ENDING 12/31/06
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATIONNAME OF BROKER-DEALER: DBSI Securities Corp.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1550 S. Tech Ln.

(No. and Street)

Meridian

(City)

ID

(State)

83642

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Wade Thomas(208) 955-9999

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Eide Bailly

(Name - if individual, state last, first, middle name)

877 W. Main St., Ste. 800

(Address)

Boise

(City)

ID

(State)

83642

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED**JUL 19 2007****THOMSON
FINANCIAL****FOR OFFICIAL USE ONLY**

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

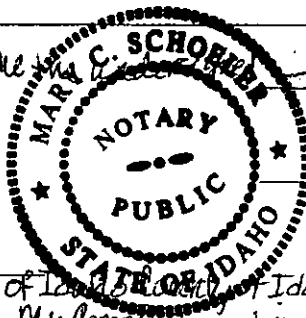
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SEC 1410 (06-02)

OATH OR AFFIRMATION

I, Wade Thomas, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DBSI Securities Corp., as of May 30, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Subscribed and sworn before me this 30th day of May 2007.



Signature

Chief Compliance Officer
Title

Notary Public For State of Idaho
Residing at Boise ID. My Commission expires 5/9/2012

This report ** contains (check all applicable boxes):

- ☐ (a) Facing Page.
- ☐ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



May 30, 2007

Reed Smith
NASD
Two Union Square
601 Union Street, Suite 1616
Seattle, WA 98101-2327

Re: SEC Rule 17a-11(e) Material Inadequacy in Accounting Systems

Dear Mr. Smith,

This letter serves as a follow up to our notification of material inadequacy in accounting systems under SEC Rule 17a-11(e), which was filed May 29, 2007. During the course of the independent annual audit of DBSI Securities (the Company) the auditors proposed material audit adjustments that would not have been identified as a result of the Company's existing internal controls, and therefore resulted in a material misstatement of the Company's financial statements.

In order to correct the situation DBSI Securities will add a review of the bills paid subsequent to the period end to its list of quarterly and annual closing procedures. The company is also currently in the process of hiring one additional accountant to ensure that the proper level of supervision and review is completed.

If you have any questions regarding this report please contact me at (208) 955-9886.

Sincerely,

A handwritten signature in black ink, appearing to read "Wade Thomas", with a stylized flourish at the end.

Wade Thomas, CCO

END